

**SAN BERNARDINO COUNTY AIRPORTS COMMISSION MEETING
MARCH 23, 2017.**

The meeting of the San Bernardino County Airports Commission was called to order at 10:05 a.m. by Commissioner William Smith. Meeting location: Apple Valley Airport, 21600 Corwin Rd. Apple Valley, Ca 92307

Commission Members Present:

William Smith
Jim Bagley
Larry Asmus
Roy Cox
Mark Taylor

Commission Members Absent:

Ray Marquez
Bob Cable

Staff Present:

James E. Jenkins, Director of Airports
Terry Stover, Assistant Director
Cyle Woodruff, Operations Manager
Nicole Leyden, Secretary I
Steve Mintle
Brandon Ocasio

Department of Airports
Department of Airports
Department of Airports
Department of Airports
Real Estate Services
Real Estate Services

Visitors Present:

Deana Olivares-Lambert
Steve Lambert
Bill Landers
Ausencio Ariza

The 20/20 Network
The 20/20 Network
Alliance International Aviation
3rd Generation Taco

Pledge of Allegiance

Led by Commissioner Smith.

Report on Posting of Agenda:

Mr. Jenkins stated that the agenda had been posted.

Awards, Guest Introductions and Announcements:

Guests introduced themselves.

Action Item - Approval of Commission Meeting Minutes

A motion was carried by Commissioner Taylor seconded by Commissioner Asmus and passed to approve the commission meeting minutes from February 23, 2017.

Commissioner Reports/Comments

No comments.

Public Comments

Mr. Ariza from 3rd Generation Taco introduced himself. He explained that he and his brother, Xavier, took over the café at Apple Valley Airport in October last year. He shared that they have been catering for about four years and that they appreciate the opportunity to have this

restaurant. In April they will have a new menu and will be extending their hours of operation. He hopes that everyone will have a chance to try their food.

Information Item: APV Hangar Inspection Program Update

Mr. Stover informed us that the hangar inspections at Apple Valley Airport are 99% complete. Letters were mailed to the tenants advising them that we were going to be doing these inspections. The tenants had the option of being present or giving us permission to go into their hangar without them. Even though the permit allows the airport staff to enter into the hangars without permission we like to notify the tenant first.

Mr. Stover shared that the hangar inspection went very well. There were three tenants with whom we provided termination notices. These tenants did not have any proof of aeronautical use in the hangar. Ten tenants will be receiving a follow-up letter and those hangars will be revisited in 120 days.

Mr. Woodruff replied to a question about Chino Airport inspections. He said that the letters were not mailed out yet to tenants regarding the 2nd round of inspections. This will be the 2nd year of inspections on the county T-hangars and this year we will be adding the inspections of 3rd party development leases which includes tenants who are leasing out their hangars.

Mr. Jenkins answered a question regarding if there was any pressure from the FAA with the new hangar policies. Mr. Jenkins said that the FAA have circulated the rule making. We have had private conversations with the FAA officials at the Western Pacific Region and it is a high priority for them to ensure that the airport properties are being properly utilized for aeronautical purposes.

Director's Reports

Capital Improvement Program

Mr. Jenkins explained that at the Capital Improvement meeting they discussed several items. We are in the midst of a lot of activities right now. We are building our budget for the year. We have a list of projects that we plan to complete either with federal monies or with our own money. After monitoring our budget this year we did not undertake a lot of projects because we did not have the money due to managing the plume. We had been waiting for an insurance reimbursement of about \$340,000 which we received about 2 weeks ago.

There are 6 projects which are priority. One of which is of medium importance is at Apple Valley Airport, which is putting lighting on the mountain ranges east and west so that we can utilize the cross-wind runway at night. We have had communication with the FAA. They had sent us a letter telling us not to use the runway at night, which they can't recall sending. The letter stated that obstruction lighting was required on the mountains east and west, so we are operating on that original guidance. We are researching what it takes to acquire property rights on the 2 mountain ranges. If we have to acquire some fee rights then Real Estate Services Division will be doing that for us on the upcoming fiscal cycle.

A project of high importance is at Chino Airport which is the storm water conveyance structure on Kimball Ave. We will be advancing on this as soon as Project Management Division is able to advance it.

A mid-level project at Chino Airport is the Yanks Air Museum complex paving. We were ready to move forward on this project last year, but there were issues with the leaseholder. They were not cooperative and we had to engage legal counsel. At that point it became the county giving direction to the tenant, so this summer we will be finally be undertaking that project and pave that facility. This is unique because we typically don't undertake improving leaseholds, but because there are certain grade breaks and engineering improvements in design that we need to do on this leasehold to fully make our ramp functional we will undertake this project.

A project which is of high priority is a grant project for Chino Airport. It is the Northwest ramp and hot spots. It includes repaving of the T-hangar area on the east side of Cal Aero Drive and repaving and redesigning the northwest ramp quadrant, south of the dome hangars. Also, we will be painting and installing L.A. Greens on the ramp area at the base of the tower to keep aviators from crossing the pavement. This will help with some of our vehicle/pedestrian deviation issues.

A mid-level project is replacing air compressors at the commercial hangar complex. These are quite large and we have 2 facilities that house these air compressors. This is part of the infrastructure of the facility. These are to provide convenience air to the facility and eliminate some leaks and inefficiencies that we have in the compressed air system at the commercial hangar complex. We have told our tenants that if they have a specific need for air that is critical to their operations then they need to have air in their facilities that they can rely on. We provide only convenience air which is non-critical for production purposes.

Another mid-level project is taxiway safety area improvement at Chino Airport at taxiway G. There is an open trench (drainage culvert) that was installed. It negatively impacts our ability to have operations on the taxiway because it has a drop-off. We will be putting the 75 feet of the open trench into a drainage conduit and covering it.

Lastly, the other project to advance is a new mail center and modular restroom at Chino Airport. The mail center is currently in a building that we intend to remove. We have to first relocate a major communication hub for Frontier Communications. It services a large portion of the northwest quadrant of the airport. Once the communication lines are relocated then we can relocate the mail center.

A couple of other projects that we are advancing on are the design for our storm water management system at Twentynine Palms Airport and Needles Airport. We also have ALP updates for both as well.

Mr. Jenkins was asked about the recovery of Needles Airport after the storm. He shared that we will be removing one building and repairing the others. We will get money for the one building when Risk Management has determined its value. Also, during the summer we will purchase or lease a temporary facility that will be a modular which will have a restroom and a pilot's lounge.

Board of Supervisors Activity

None to report.

Real Estate

Mr. Mintle briefed us on the recent Real Estate activity. He said that they have gotten the S.O.P. out on parcel #305 at Chino Airport by Merrill Ave and that the due date for proposals is April 7th. Six packets have been handed out so far to interested parties.

They are working on extending the lease for MAG Aviation at Apple Valley Airport for an additional 5 years and are also working on a lease extension for Chalk II.

Several use permits are required for the Apple Valley Airshow additional parking in October and they will be ready to go to the Board in early April.

At Chino Airport the lease for Fox Nursery has been extended including the additional space being occupied by the tenant. Four leases were sent out for additional ramp space for 4 existing tenants due to the growth of their businesses. They are also rewriting several use permits and leases.

Mr. Mintle said that they are working on the lease renewal for Paradise Aviation at Needles Airport. We will revise and rewrite the lease due to them losing some facilities in the storm. We will incorporate the reduction of space.

Mr. Jenkins responds to comments regarding the 58 acre Nyenhuis Dairy. The county was involved in a lawsuit for property east of the airport in 1999-2000, just east of Runway 26 Left. The runway was commissioned in December 1996 and in January 1997 they received the

lawsuit. The Nyenhuis's claimed that we were negatively affecting their property due to increasing the number of flights coming into the airport and that now the flights were coming directly over the dairy. In turn their cows were producing less milk. The county defended itself and the case was dismissed without prejudice meaning that the judge found that there was no damage at the time to the property owner case, but if there is any future damage then the case can be brought back to court at a later time. During the summer of 2015 the Nyenhuis Dairy did just that. They claimed that there were more flights now than when the original lawsuit was filed. Because there is so much development around the airport they were no longer able to sell their property at a sufficient value compared to similar properties not around the airport. The county's defense was that we don't control land uses around the airport. The city of Chino controls the land uses and they zoned these uses in a particular manner. They may have zoned the area a certain way due to the airport being there. Property value around the airport is increasing so the county saw the opportunity to acquire the Nyenhuis property to have trade value for commercial developments in the Ontario area. The county entered into a settlement agreement with the Nyenhuis's.

Mr. Jenkins briefed us on the deal with Scannell, or also known as the Fed Ex deal at Chino Airport. Certain values had to be assigned to airport property to get to this deal and the FAA was involved in the process. Initially the property appraised at \$12 a square foot. The FAA objected to our valuing the property at this price because the county sold property immediately adjacent to the property on the airport for \$19 per square foot. The county said that that property is closer to utilities, it's easier in title and there's not the encumbrance of a non-fee interest in property, meaning that we are going to lease the property to the entity and the other is a sale. The FAA said that if not for the airport you may not have gotten the value for the county property because the airport property brings additional value and brings a larger contiguous parcel to the argument. Finally, the county agreed with the FAA's value of \$19 per square foot. The Nyenhuis property had to be valued for the county to buy it, so the appraiser came back and said that the property was worth \$19 per square foot, so that's what the county bought the property for. The county has now acquired this property, but unfortunately Fed Ex has reevaluated their need for the airport property and decided against it. So the 61 acres that we believed that we were going to be leasing to Scannell who would then do a sublease to Fed Ex is no longer viable. Real Estate Services do have a number of parties that are interested in developing that property, though.

Mr. Jenkins continued to provide information on the property stating that it is currently a sod farm, but that there is a portion of that property that will allow hangars to be developed. We acquired this property in 1983 with a federal grant and until now there has been no aviation interest in that property. It is separated from the airport environment by a regional drainage corridor. The drainage structure is above and below ground north of Runway 26 Right and there is no way to cross over this during a storm event. We would have to transition that drainage culvert and install a drainage system to the runway and taxiway infrastructure over to that parcel, which would be very costly. It is 65 acres in total. When we acquired the property we only needed 8 acres for safety area protection, but we had to take the 65 acres because the county was condemning the property at that time. Typically the FAA does not endorse this kind of activity, but the balance of the property was excess to our needs. So, the FAA endorsed the application to release the property for non-aviation purposes for a lease and not a fee. This would have increased our revenue stream initially by 100%, but unfortunately Fed Ex has now bought a piece of property from the county just adjacent to the airport instead.

Mr. Jenkins pointed out that now that there is that \$19 per square foot value around the airport we are not sure how that will affect the value of the airport properties. He believes it will be a different value for airport property because with airport property it's going to be a non-commercial development which has a very limited use and brings our values back down to a level that we are accustomed to.

Mr. Jenkins also informed us that he met with to Real Estate Services regarding the airport wide appraisal that they are undertaking for Chino Airport and Apple Valley Airport. The airport wide

appraisal for Apple Valley Airport will come first.

Financial Report

Mr. Jenkins informed us that we are at 71% of the year. Overall we spent 52% of our appropriations and have earned 75% of our revenue. We are on target for the revenue side. We have not spent money in our budget because we didn't have cash available.

Mr. Jenkins briefed us on the individual budgets. The Commercial hangar complex is at 16% of its expenses. After we do a transfer to our main budget unit, then it will be closer to 40% of the budget for the year. We have earned more money than we have anticipated because we are receiving payments on the Mooney deal sooner than expected.

Apple Valley Airport owes the main budget unit money because it has no employees. They are under CSA60 and so they reimburse the Department of Airports for the use of its employees. A transfer is typically done quarterly, but we lost our analyst at the beginning of the year and now have a new one. Some of these internal housekeeping items were not a priority, but will be reconciled before we close out our budget.

For the Administration budget the numbers are always skewed, but we have received some reimbursements. We received monies which we have to transfer to other budget units. Once that happens we will be closer to an effective expense profile.

At Chino Airport the expenses listed are pretty accurate and we have held the expenses down significantly this cycle because Chino is the airport that carries the system. When money is spent at Chino Airport it drives the rest of the budget unit. Now with money reimbursed from the plume we will be able to do a few things at Chino by the end of the year. Revenues are a bit up because when we budget we plan for a certain percentage of delinquencies and "no pays". And we have done a bit better with the collections this year. Real Estate Services Department has become very aggressive in collections and we have been terminating leases and perfecting unlawful detainers and evictions.

The expense side of the Needles Airport is out of balance due to the expenses with the microburst storm, but the revenue side is in balance. The revenue although, will go down because we will be giving a credit to the operator there due to them losing the utility of some of their spaces. An adjustment will be made on some of their revenue that they have paid us in form of a credit or cash reimbursement. It won't be a lot of money, but will bring the revenue number back down to a very even number.

Twentynine Palms Airport is a bit out of balance due to the roof repair. It's a bit skewed, but overall it's balanced and Baker Airport has no revenue and has expenses from time to time.

Barstow-Daggett Airport is showing that we've earned 56% of its revenue and we should be at 71%. This is skewed because we made a transfer to them that hasn't hit their budget yet. It was money that the Army owed us for an operation that they did 2 years ago which we added into this year's budget. The expenses are balanced with the revenue received, though.

Mr. Jenkins stated that he looks at the budget of the system of airports daily, checking if it is balanced or not and if not then why. If we have a couple of opportunities during the cycle to move monies to reserves we will. We required monies from reserves in the 2nd quarter because we needed the money at the time and we hadn't received the insurance reimbursements and we weren't sure when we were going to receive them. When we did receive the reimbursement we moved about \$25,000.

Mr. Jenkins explained that next year will be a transition year and the following year will be a year with more activity in terms of staff development. We will be adding the airport manager position to the Apple Valley Airport before the end of this fiscal cycle. Mr. Stover is retiring this June and he leaves 2 voids, Assistant Director and Airport Manager. We may bring an item before the board asking them to consider having Mr. Stover under contract for 980 hours next year as we do these recruitments and to train these 2 new hires.

Monthly Report

Mr. Stover briefed us on his monthly report including the delinquency report review meetings.

Mr. Jenkins elaborated on the delinquency report reviews. The Real Estate Services meeting previously took place at the beginning of the month before we received our monthly payments. The next time Mr. Jenkins would look at them it would be three quarters through the month already. By the time we got the delinquent files for the month to County Council for management we were going into 30 days of arrears. We now have a weekly meeting on Mondays and the critical one is the meeting right after the payments are due. At that point we allow 3 days for staff to contact the tenants to make their payments. Then on Thursday we are preparing packages for County Council and Friday they are delivered. Now this process is complete in the middle of the month and our delinquency numbers are down.

Mr. Woodruff briefed us on his monthly report. The ongoing roof project at Twentynine Palms Airport has now become an ongoing wall project. The roof has been prepared, but we discovered significant dry rot in the southern most wall of the office. We have to cut the ground and put a proper footing in there, so it's going to be a 2 or 3 day project. Hopefully in the first couple weeks of April we will be able to get some staff out there to stay overnight and work on that.

Mr. Woodruff also briefed us on the burrowing owls at Chino Airport that were present during the Chino Airshow last year. They are still there so Mr. Woodruff met with a biologist last month and he confirmed that there is a nesting pair just west of the control tower. We will monitor them again and will let the grass grow in that field as tall as possible because that is an environment that they don't prefer. Although there is a small chance that they will relocate at this point because they have to stay there with their eggs. We plan to procure temporary fencing and quarantine them as we did last year.

Chino Airport Operations

Mr. Jenkins was asked about painting areas green that are off limits to pilots for runway safety to avoid pilot deviation.

He explained that LAX paints all their non-airport operations areas green, therefore it is recognized by pilots in the Western Pacific region.

Mr. Jenkins was also asked about the number of incursions at Chino Airport being well above the national average.

Mr. Jenkins explained that Chino's numbers are extremely high because Chino traffic control tower is a training facility. The controller that's in position may not be a certified controller and may have a certified controller watching over his shoulder. This certified controller may be supervising several controllers and working a board, so there is a delay in response. In Mr. Jenkins opinion when a controller witnesses a deviation about to happen it would be helpful that he communicate at that time before the deviation occurs. He also believes that there should be repercussions to the licensed pilots creating these. The FAA disagrees and believes that it is the airports' responsibly to control the movements on the ground.

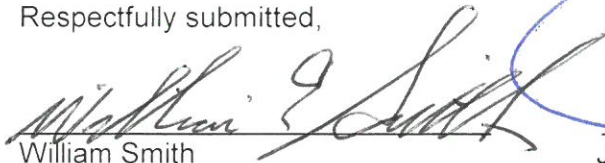
Mr. Jenkins informed us that the Chino operations count for the end of 2016 is up 7,200 from the previous year and has been cyclic. So far the numbers for the beginning of 2017 are going down and will probably cycle between 165,000 to 170,000. This may have been affected by the weather or because one flight school has a few aircraft that are down for maintenance.

Date, Time and Place of Next Meeting

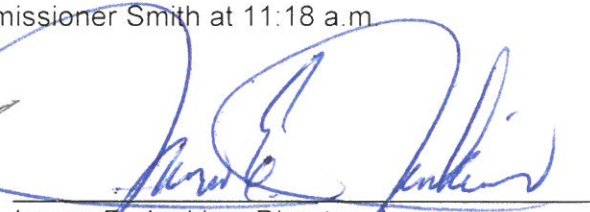
The next meeting will be held on Thursday, April 27, 2017 at 10:00 a.m. at Chino Airport, 7000 Merrill Ave. Chino, Ca. 91710

Adjournment: Meeting adjourned by Commissioner Smith at 11:18 a.m.

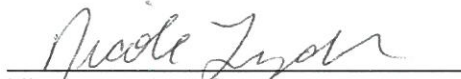
Respectfully submitted,



William Smith
Airports Commission



James E. Jenkins, Director
Department of Airports



Nicole Leyden, Secretary I
Department of Airports